

Submitted by
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Michigan State Housing Development Authority

A Financial Overview

MSHDA Overview

- MSHDA was established in 1966 as “an independent public body corporate and politic of the State of Michigan”
- One of the primary reasons that MSHDA was established was to facilitate the financing of multi-family and single-family development. This is an activity that the State of Michigan is prohibited from engaging in. The following is an excerpt from the State Constitution of Michigan, Sec 6: The state shall not be party to, nor be financially interested in, any work of internal improvement, nor engage in carrying on any such work, except for public internal improvements provided by law.
- MSHDA’s mission is essentially to provide decent affordable housing to low to moderate income families. This is a mission that is accomplished with virtually no financial assistance from the State of Michigan.

Recent Initiatives

Due to the financial crisis that took hold in 2008, MSHDA was tasked with objective to create a number of Federally funded programs to address the collapsing housing market. MSHDA was given the freedom to create programs, but to develop them within parameters based on the funding source. Some of these Federal stimulus funds were as follows:

- TCAP (Tax Credit Assistance Program) \$63,974,711
- Section 1602 \$285,665,362
- NSP1, NSP2 and NSP3 (Neighborhood Stabilization Program) \$327,529,254
- NIBP (New Issue Bond Program) \$350,000,000

These funds were utilized to create housing investment in the State of Michigan at a time when virtually no investment was available. Rather than cover the entire cost of development with these funds, as many of our peers did, MSHDA continued to leverage these funds to attract outside private investment. A portion of these funds went into more than 100 developments. To put this into perspective, in a good year, MSHDA will fund 12 to 14 developments. The sale of bonds threw the NIBP, MSHDA will be helping more than 3,200 families afford a home.

MSHDA's Audited Balance Sheet as of June 30, 2012

	June 30	
	2012	2011
Assets		
Cash and Cash Equivalents (Note 3)	\$ 255,729	\$ 350,762
Investments (Note 3)	1,029,170	876,901
Loans Receivable		
Multi-family mortgage loans	1,419,782	1,446,166
Single-family mortgage loans	929,966	963,604
Home improvement and moderate rehabilitation loans	9,438	10,777
Total (Note 4)	2,359,236	2,440,649
Accrued loan interest receivable	43,496	40,353
Allowance on loans receivable (Note 4)	(60,041)	(53,860)
Loan origination fees	(12,265)	(11,824)
Net loans receivable	2,330,406	2,405,218
Other Assets		
Unamortized bond financing costs	6,632	6,969
Real estate owned (Note 4)	41,786	91,651
Other (Note 14)	269,744	155,594
Total other assets	318,362	254,114
Total assets	\$ 3,934,667	\$ 3,897,016
Liabilities and Net Assets		
Liabilities		
Bonds payable (Notes 5, 6, and 14)	\$ 2,547,686	\$ 2,592,572
Accrued interest payable	13,593	13,737
Escrow funds	565,026	527,552
Deferred mortgage interest income (Note 7)	37,930	41,095
Other liabilities	46,084	22,340
Total liabilities	3,210,319	3,197,296
Net Assets		
Restricted (Note 11)	445,789	423,630
Unrestricted	275,569	275,889
Total net assets	721,358	699,519
Total liabilities and net assets	\$ 3,934,667	\$ 3,897,016

MSHDA's Audited Income Statement as of June 30, 2012

	Year Ended June 30	
	2012	2011
Operating Revenue		
Investment income		
Loan interest income	\$ 139,901	\$ 145,698
Investment interest income	24,793	22,574
Increase in fair value of investments - including change in unrealized gains (losses) of \$6,095 in 2012 and (\$3,001) in 2011	6,290	(3,001)
Total investment income	170,984	165,271
Less interest expense and debt financing costs	102,863	103,889
Fair market value adjustment to interest rate swap contracts recognized as investments	698	-
Net investment income	67,423	61,382
Other revenue		
Federal assistance programs	751,649	733,849
Section 8 program administrative fees	16,012	16,970
Contract administration fees	8,957	8,148
Other income	35,811	24,020
Total other revenue	812,429	782,987
Total operating revenue	880,852	844,369
Operating Expenses		
Federal assistance programs	752,013	733,645
Salaries and benefits	33,273	31,740
Other general operating expenses	29,126	33,614
Loan servicing and insurance costs	3,156	3,033
Provision for possible losses on loans	25,066	19,294
Total operating expenses	842,634	821,326
Operating Income Before Nonoperating Expenses	38,218	23,043
Nonoperating Expenses - Grants and subsidies	(13,589)	(16,967)
Change in Net Assets	24,629	6,076
Net Assets - Beginning of year	699,719	693,643
Net Assets - End of year	\$ 724,348	\$ 699,719

MSHDA's Outstanding Debt by Bond Indenture

As of June 30, 2012

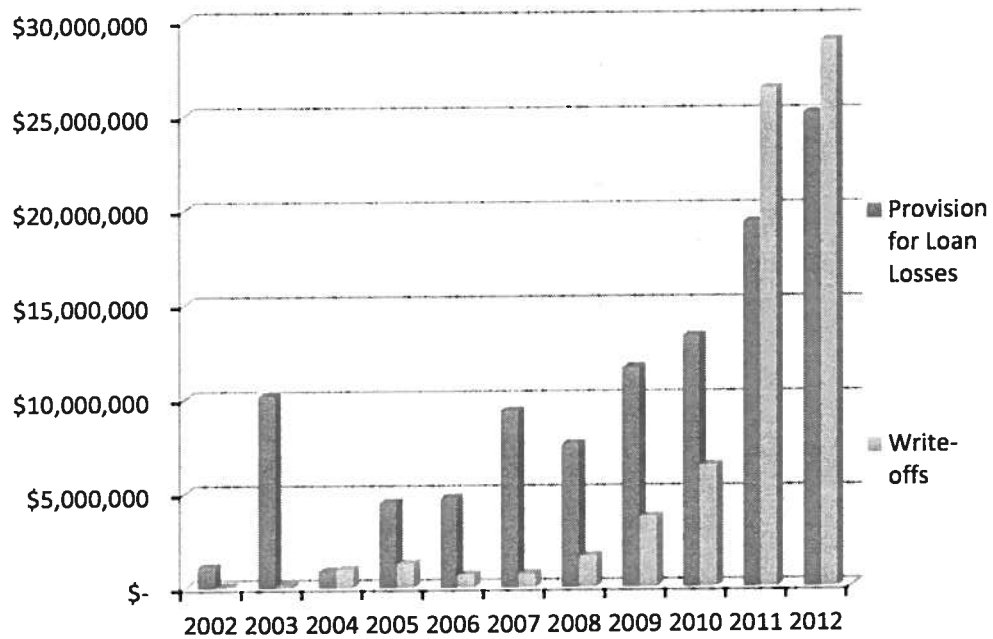
	Beginning Balance	Additions	Payments	Ending Balance
Revenue bonds				
Section 8 assisted mortgage	\$ 8,930	\$ 890	\$ 3,961	\$ 5,859
Single-family home ownership	424,505	159,100	134,510	449,095
Single-family mortgage	811,780	17,000	98,140	730,640
Multi-family housing	22,400	-	7,805	14,595
Rental housing	1,191,485	83,085	146,780	1,127,790
Multi-family	28,240	-	755	27,485
Total revenue bonds	<u>\$2,487,340</u>	<u>\$ 260,075</u>	<u>\$ 391,951</u>	<u>\$2,355,464</u>
Due within one year				<u>\$ 89,337</u>

MSHDA's Mortgage Loan Composition at June 30, 2012

			<u>2012</u>	<u>2011</u>
Multi-Family Mortgages	\$1,419,782			
		Loans receivable:		
Single-Family Mortgages	929,966	FHA insured, VA, or U.S. Department of Agriculture guaranteed	\$ 614,085	\$ 630,635
		Insured by private mortgage insurance companies	229,175	277,468
Other Mortgage Loans	9,488	Uninsured	1,515,976	1,532,446
	<u>\$2,359,236</u>	Total loans receivable	<u>\$ 2,359,236</u>	<u>\$ 2,440,549</u>

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10 Year Summary of Possible Loan Losses and Write-Offs of Uncollectible Losses – Net of Recoveries



	Provision for Loan Losses	Write-offs
2002	\$1,095,000	\$95,000
2003	10,152,000	152,000
2004	876,000	976,000
2005	4,508,000	1,258,000
2006	4,723,000	673,000
2007	9,352,000	734,000
2008	7,602,000	1,635,000
2009	11,631,000	3,722,000
2010	13,281,000	6,436,000
2011	19,294,000	26,373,000
2012	25,067,000	28,886,000

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Financial Ratio Analysis

FY ENDING:
JUNE 30

	AUDITED 2007	AUDITED 2008	AUDITED 2009	AUDITED 2010	AUDITED 2011	AUDITED 2012	All HFAs
ASSET QUALITY (%)							
NPAs/total loans + REO	5.36%	5.73%	7.15%	7.57%	5.41%	4.01%	3.05%
Net charge-offs/average NPAs (prior period)	0.91%	1.62%	2.99%	4.05%	14.22%	17.97%	
REO/total loans	0.58%	1.05%	2.01%	3.16%	4.25%	1.83%	
Loan loss reserves/total loans	2.79%	2.77%	2.91%	3.29%	3.08%	2.63%	1.96%
Loan loss reserves/NPAs	51.76%	47.87%	39.86%	42.16%	54.53%	64.37%	
Net charge-offs/average loans	0.04%	0.07%	0.15%	0.26%	1.11%	1.24%	
LIQUIDITY (%)							
Total loans/total assets	83.12%	73.44%	80.42%	72.87%	72.48%	72.25%	72.14%
Short-term investments/total assets	6.82%	12.39%	10.32%	14.06%	12.17%	9.63%	
Long-term investments/total assets	8.13%	12.30%	6.27%	8.91%	10.60%	14.52%	
Total investments/total assets	14.94%	24.69%	16.59%	22.97%	22.78%	24.15%	
Other assets/total assets	1.93%	1.87%	2.99%	4.16%	4.75%	3.60%	
PROFITABILITY (%)							
Return on average assets	1.25%	1.18%	0.21%	0.29%	0.19%	0.78%	0.64%
Return on assets before loan loss provision and extraordinary item	1.63%	1.32%	0.50%	0.68%	0.77%	1.58%	0.77%
Return on average equity	4.93%	5.07%	0.95%	1.36%	0.91%	3.50%	
Net interest margin	2.56%	2.75%	2.19%	2.17%	1.99%	2.23%	1.21%
Net interest margin (loans) (1)	2.12%	1.60%	1.57%	1.70%	1.75%	1.57%	
LEVERAGE (%)							
Total equity/total assets	25.74%	21.39%	22.01%	20.93%	21.52%	22.89%	16.96%
Unrestricted equity/total assets	15.22%	12.11%	10.53%	8.69%	8.49%	8.71%	
Total equity + reserves/total loans	33.75%	31.89%	30.27%	32.02%	32.77%	34.30%	25.66%
Total equity/total debt (1)	36.29%	28.22%	29.10%	27.32%	28.12%	30.74%	
Unrestricted equity/total debt	21.46%	15.98%	13.92%	11.34%	11.09%	11.69%	

Topics for discussion

- MSHDA's experience through the mortgage foreclosure crisis
- MSHDA's Bond Programs
 - Bonding Authority
 - Bond Portfolio Management